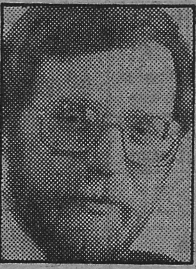

EXECUTIVE COMPUTING

HILLEL SEGAL

'What do you mean, it's not covered!'

Imagine arriving at work tomorrow and discovering a large empty spot on the desk where your computer — not to mention data diskettes and programs — used to be. Now, imagine that your insurance company says it doesn't cover the lost equipment and data under your "office contents" insurance policy.

In this terrible situation, you're faced with (1) acquiring a replacement computer, (2) reinstalling your programs, (3) reconstructing from source documents all customer records, documents and data files not in off-site storage, and (4) somehow conducting business as usual without the benefit of a computer in the interim.

It's easy to get lulled into a sense of complacency about insurance. Most people tend to think they're covered under a standard policy, and look at special computer coverage as a luxury. It's not. Here are five reasons I think you should consider buying a separate small computer insurance policy:

✓ Typical office-contents insurance policies treat computers like typewriters. They cover damage or destruction to the machinery (assuming you remembered to add it to your policy when the equipment was purchased), but have no provision for the *programs and data* that are the heart of the computer system, and no provision for the time and effort of replacing those programs and data.

✓ Since proper file backup is the exception rather than the rule, accidental erasure or loss of data due to disk failure can have disasterous consequences. The best insurance today actually covers accidental erasure — a risk no one ever dreamed of when most insurance policies were first drafted.

✓ Most computers in office environments are not secure against dishonest acts, fraud, or misuse by employees, customers and suppliers. In fact, small computers are surprisingly vulnerable, and this is rarely understood until it's too late.

✓ Normal service contracts exclude damage to computers, disks and data from external electrical problems such as spikes, brownouts, and power surges. These conditions can play havoc with your system.

✓ Finally, when losses do occur, users frequently face extra operating costs while their system is being repaired or replaced — such as hiring additional personnel, renting temporary equipment, etc.

What's covered, what's not

If your company is like most, you have a standard insurance policy that covers the loss or destruction of your office contents. "Theft of equipment" is usually included in the policy. But if you don't specifically have "valuable papers coverage," then all your business papers and source documents are normally excluded.

Moreover, even if you have valuable papers coverage, which is rare, it is debatable whether the data in your computer system or on disks is covered. Unless all your employees are covered by a fidelity bond, which is also rare, you are not covered against dishonest acts or fraud by your employees. This applies to your computer operations as well.

What about the risk of your computer being misused by outside parties — i.e., customers, suppliers or competitors? This is *not* covered by the fidelity bond, since the bond only includes employees. You're typically not covered for these risks unless you have a large computer insured with a special data processing policy that specifically covers these risks.

Is your small computer covered if you bring it home from the office for work in the evenings or on the weekend? Typically yes, under your office policy, but only for the same type of coverage as you had in the office — again, excluding the data and programs on the system. But this is sometimes tricky. With some policies, the amount of coverage you have away from the office is different from the amount of in-office coverage.

What about a small computer that's permanently in your home for business use? It is sometimes covered under your homeowners policy (or apartment dwellers policy) against physical destruction or theft. But many homeowners policies exclude what they call "business personal property," and others limit coverage to only $500. In any case, the loss of data or programs is excluded.

Also, when you have a loss, under the office contents policy or the homeowner's policy, only the depreciated value of the equipment is usually paid. Since computer equipment depreciates very quickly, you might get back only 30 or 40 percent of the replacement value after a loss. You'll probably also have to pay extra to convert your programs to the new computer you buy if it is a few years newer than your old system — and, of course, the conversion costs aren't covered either.

The good news is that there are some reasonably priced policies written specifically to cover computer problems: loss of programs, reconstruction costs of lost data, replacement value of your equipment, and fraud or misuse of the computer by employees. For a competitive review of the policies available, some of which cost as little as $75 a year, write to me at the address below.

Hillel Segal is a Boulder independent computer consultant and editor of the Executive Computing Newsletter, published by the Association of Computer Users. He can be reached at ACU, P.O. Box 9003, Boulder 80301.